Western Grain Transportation Act: Alberta's View

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Alberta's Objectives

On January 1, 1984 the Western Grain Transportation Act came into effect. It marked the end of an era of grain transportation policy and opened the door to finding new ways to serve Western Canada's agriculture sector.

The Western Grain Transportation Act was the result of many years of public discussion and political debate throughout Western Canada. At the annual meetings of farm organizations and at agricultural and business conferences the issue of grain transportation and its importance to Western Canada's agricultural and economic development was always present. Throughout, Alberta has maintained that a **comprehensive grain transportation policy is needed** — one that meets the needs of grain and livestock producers, agricultural processors and the transportation sector. The Province's guiding principles in developing its position with respect to grain transportation policy have been:

- retention of the "Crow Benefit" for farmers;
- removal of disincentives of value-added processing;
- improvement in rail capacity and efficiency;
- provision of adequate revenue for railways relative to costs of moving grain;
- legislated and regulated rate formulas.

These same criteria have been employed in evaluating other policy proposals. When looking at the Western Grain Transportation Act, Alberta recognizes the important first step that it represents but notes that, in certain key areas, the Act falls short of fulfilling what should be the objectives of a responsive and encompassing grain transportation policy.

The information provided here is intended to show where Alberta believes further changes need to be made to the WGTA. The Province's position on certain issues are presented as focal points for discussing further changes.

The Western Grain Transportation Act (WGTA)

The WGTA provides for the many areas of managing the grain transportation system, including administrative procedures, producer and agri-business representation, rates and government payments. There are six main features of the act that most directly affect farmers and their operations.

Volume Cap. Producers pay the full cost of grain transportation on all volume of grain shipped above 31.5 million tonnes.

Safety Net. The producers' share of the freight rate will not be permitted to exceed a fixed percentage of the price of grain under the terms of the Shipper Share Limitation provision.

Grain System Efficiency. The railways are required to invest in the grain transportation system in return for earning adequate compensation. Grain system participants are made responsible for operational improvements to the system.

Future Cost-Sharing. Until 1985-86, the maximum share of annual railway cost increases to be paid by producers is 3 percent. Beyond 1986, producers are responsible for the first 6 percent of railway cost increases.

Payment Mechanism. Under the present WGTA, all of the federal payment to support grain transportation, known as the Crow Benefit, goes directly to the railways.

Reviews. The Act provides for a Review to be carried out in 1984-85 to determine the future method of paying the Crow Benefit. A major Review in 1985-86 will examine all aspects of the Act and its operation.

Alberta's Role

Prior to passage of the WGTA, Alberta, while not a direct participant, worked closely with its farm organizations acting as a catalyst and as a provider of technical information. In the summer of 1983, the Province made a submission to the House of Commons Transport Committee hearings on the proposed legislation. Throughout, federal politicians were continually made aware of Alberta's position and concerns.

The Province has been, and will continue to be, supportive of the process of change. In the next phase, when the WGTA undergoes extensive review, the Province intends to take a more active role. Important changes need to be made to ensure that the greatest scope is given to Alberta's agricultural and economic potential.

early 1985. The Province of Alberta intends to take a leadership role in this and other Reviews. Alberta's position on how the Crow Benefit should be paid has been stated previously. When the comprehensive Review scheduled for 1985-86 begins, Alberta will be making known its positions on a number of issues. As in the past, the Province will act in concert with its farm community to ensure that its agriculture industry is given the strongest voice possible on issues of direct concern to Alberta farmers.

For more information contact

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Alberta's Position

Over the years, much has been written about grain transportation and its importance to Western Canada. Technical material was made available to the general public. At the same time, Alberta Government ministers, such as the Minister of Agriculture and the Minister of Economic Development, made many public statements on grain handling and transportation, of direct importance to Alberta and its farm community.

The position that the Province has taken reflects the needs and aspirations of its agriculture sector. Alberta is unique in Western Canadian agriculture, being both diversified and having a strongly developed entrepreneurial spirit among its farm managers. The Government of Alberta believes that the Western Grain Transportation Act must meet the needs of the grain and livestock sectors and the agricultural processing sectors, while providing the greatest scope for individual initiative. As a result, the Province of Alberta has taken the following position on issues of direct concern to Alberta's farmers:

Volume Cap. The cost of shipping grain above a volume of 31.5 million tonnes is borne entirely by producers. The Province believes that this acts as a disincentive to farmers to produce and ship more grain to export markets.

Comment: At the 1984 Western Premiers' Conference in Kelowna, B.C. a communique was issued expressing concern that the volume cap penalizes increased production of a key export commodity and strongly urged the federal government to remove the artificial cap.

Safety Net. In the international market place, many factors making grain prices highly unstable result in wide fluctuations in the price that farmers receive for their output. All the while, however, it seems that the costs of farming only increase. To protect against the possibility of overly burdensome transportation costs, Alberta has supported the concept of a "safety net". This **relates the value of the commodity to its transportation cost.** Alberta's position is that any safety net afforded the producer should, in fact, offer real protection without impairing the railways' abilities to invest in the grain transportation system.

Comment: As part of its submission on the WGTA, Alberta proposed that the grain freight rate structure be constructed to reflect a "value of service" pricing philosophy. Under this arrangement, rail freight rates would move in the same direction as grain prices with the maximum tariff allowed being regulated as at present. The "Value of Service Pricing Proposal" would give relief in those years when international grain prices were depressed.

Grain System Efficiency. The impetus for changing the old statutory rates for grain was to ensure that the railways would be able to invest in the much needed rail capacity to serve the demands of an expanding western Canadian economy. Since farmers were being asked to contribute a greater share to railway revenues through the new rate structure, it was only fair that the railways commit themselves to re-investing those revenues in the grain handling system. In addition, system participants are charged with the respon-

sibility to promote system efficiency, so as to make the best use of investment dollars and to keep system costs to a minimum.

Comment: Since the passage of the WGTA, the railways have revised downward their cost estimates for projected capital commitments. At the recent Western Premiers' Conference, this development was noted. The full expansion of the rail system should proceed as previously intended and, that, in light of reduced cost estimates, the rate structure should also be revised downward. As well, the railways should be required to publish annual detailed statements of source and application of funds and investment intentions.

Future Cost Sharing. It is unreasonable to expect farmers to commit today, to a future cost-sharing arrangement without some equal consideration for farmers' ability to pay. This should be a matter of negotiation within a timeframe that is relevant.

Comment: In any event farmers should not be responsible for more than a maximum of 4.5 percent of rail cost increases.

Payment Mechanism. Paying the Crow Benefit directly to the railways distorts local prices for grain and thereby creates a disincentive to raising livestock or to locally processing grain. By paying the railways directly, there is also a clear bias towards using rail for transporting grain. Other transportation modes or other services might be more efficient in some instances, but they are at cost disadvantage under the present payment method.

The Government of Alberta believes that farmers are in the best position to decide how to allocate their resources and, in so doing, will introduce the greatest efficiency into the grain handling and transportation system. Consequently, the Province's position is that the **Crow Benefit should be paid to producers,** thereby giving the widest scope for choice to be exercised in the market place.

Comment: In the summer of 1983, the Honourable LeRoy Fjordbotten put forward, as part of a larger Provincial submission on the WGTA, the "Double-80 Proposal". This proposal would have given individual farmers the choice of whether or not they wanted to receive their Crow Benefit directly or have it go to the railways. The "Double-80 Proposal" would have met the objective needs of the market place while accommodating the differing views held on who should be paid the Crow Benefit.

Reviews. The WGTA is the first stage in making grain transportation policy responsive to changing economic conditions. In departing from a nearly century-old way of doing business, there was a clear recognition that a gradual approach to change was necessary, both to ease the transition and to check on progress being made. To accomplish these objectives, and to deal with other specific matters that could not be accommodated earlier, provisions for periodic reviews of the Act were made.

Comment: The first Review, regarding the Method of Payment, is in progress and will be completed in